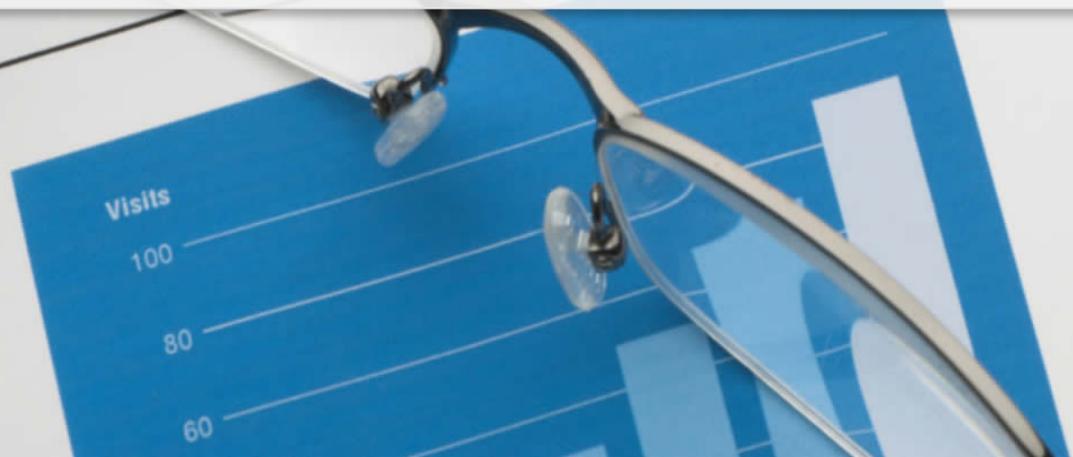


FY15 Operating Budget Forum Briefing

January 2014

Prepared by Montgomery County Office of Management & Budget and Department of Finance

A financial table with a light blue background. It lists several dollar amounts in a column, with a total at the bottom. The amounts are: 10.2, 23,654.00, 4,500.00, 5,689.00, 18,974.00, 22,456.00, and a total of 93,209.00. The table is partially obscured by other elements in the image.

County Executive Priorities

1 A Responsive and Accountable County Government

2 Affordable Housing in an Inclusive Community

3 An Effective and Efficient Transportation Network

4 Children Prepared to Live and Learn

5 Healthy and Sustainable Communities

6 Safe Streets and Secure Neighborhoods

7 A Strong and Vibrant Economy

8 Vital Living for All of Our Residents



Fiscal Update



FY14 Tax Supported Expenditures

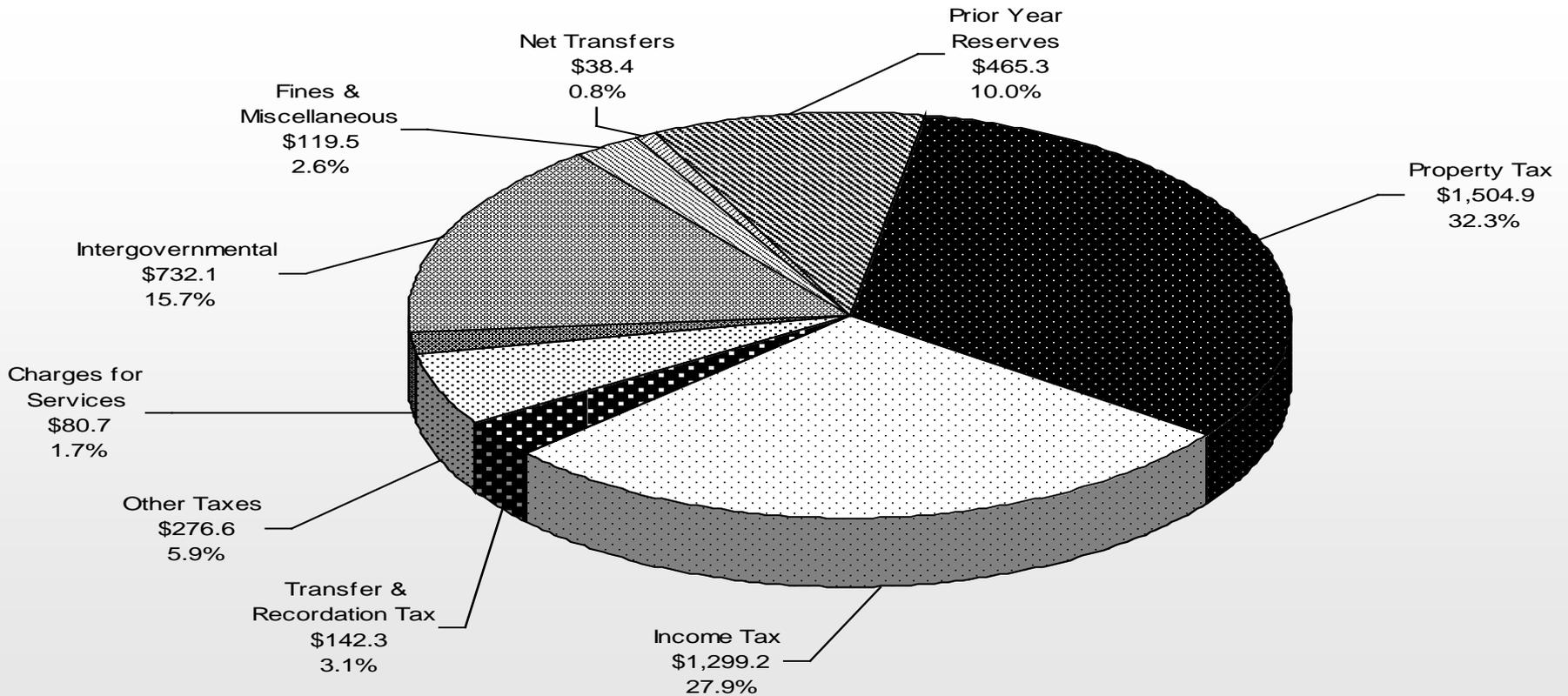
By Function

| Tax Supported Expenditures Only | Appropriation | % of Total | Cum % | Workyears |
|--|----------------------|-------------------|--------------|------------------|
| 1. MCPS | \$ 2,084,338,368 | 49.7% | 49.7% | 20,032.0 |
| 2. Public Safety | \$ 569,446,362 | 13.6% | 63.3% | 3,741.8 |
| 3. Debt Service | \$ 309,156,470 | 7.4% | 70.6% | - |
| 4. General Govt. & Other Functions | \$ 290,640,598 | 6.9% | 77.6% | 997.4 |
| 5. College | \$ 228,477,695 | 5.4% | 83.0% | 1,715.1 |
| 6. Health and Human Services | \$ 193,225,217 | 4.6% | 87.6% | 1,150.1 |
| 7. Retiree Health Insurance | \$ 167,437,039 | 4.0% | 91.6% | - |
| 8. Transportation | \$ 158,798,672 | 3.8% | 95.4% | 1,043.0 |
| 9. M-NCPPC (Park and Planning) | \$ 111,967,161 | 2.7% | 98.1% | 809.4 |
| 10. Libraries, Culture, & Recreation | \$ 62,778,039 | 1.5% | 99.6% | 742.7 |
| 11. Community Dev. and Housing | \$ 16,963,521 | 0.4% | 100.0% | 70.4 |
| 12. Environment | \$ 1,568,831 | 0.0% | 100.0% | 11.5 |
| | | | | |
| | \$ 4,194,797,973 | | | 30,313.4 |
| | | | | |
| | | | | |

FY14 Tax Supported Agencies and Funds

Where the Money Comes From

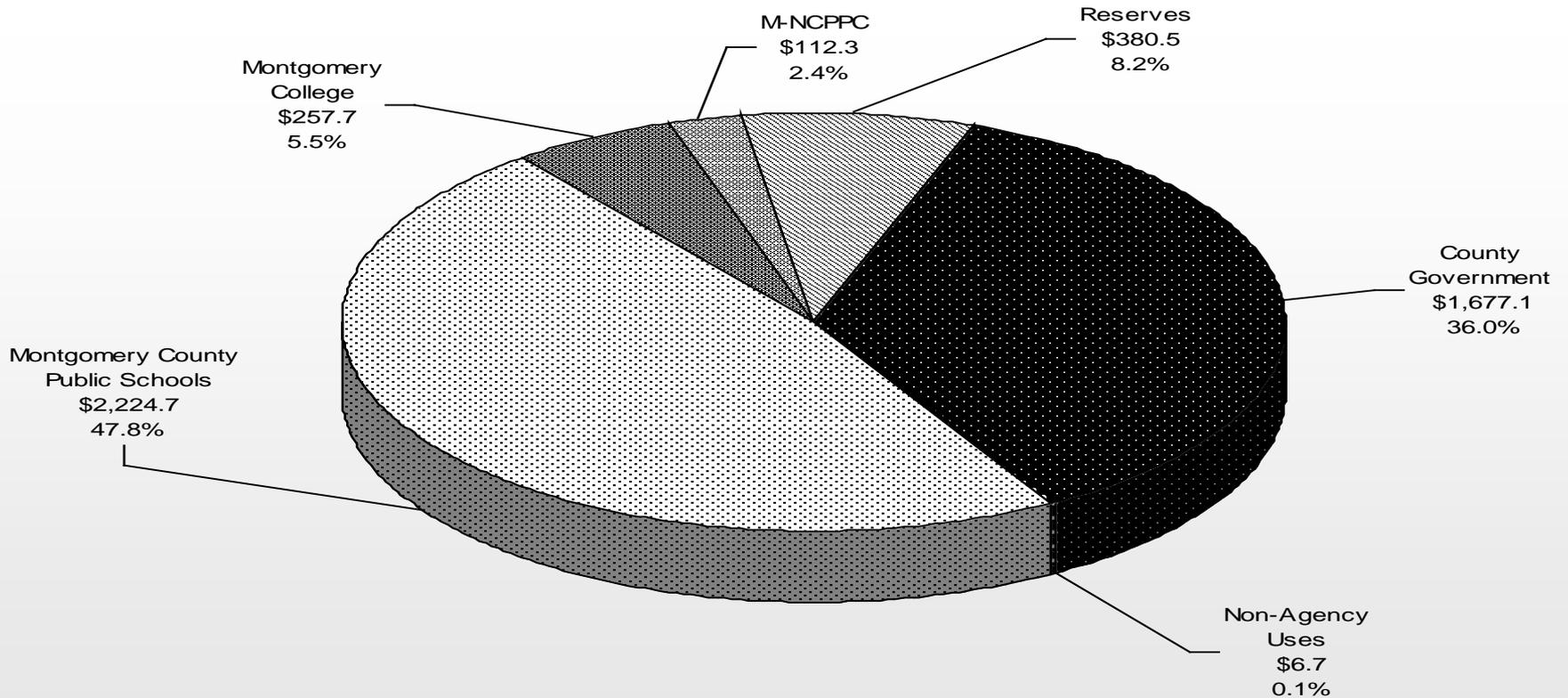
TOTAL APPROVED RESOURCES - \$4,659.0 (million)



FY14 Tax Supported Agencies and Funds

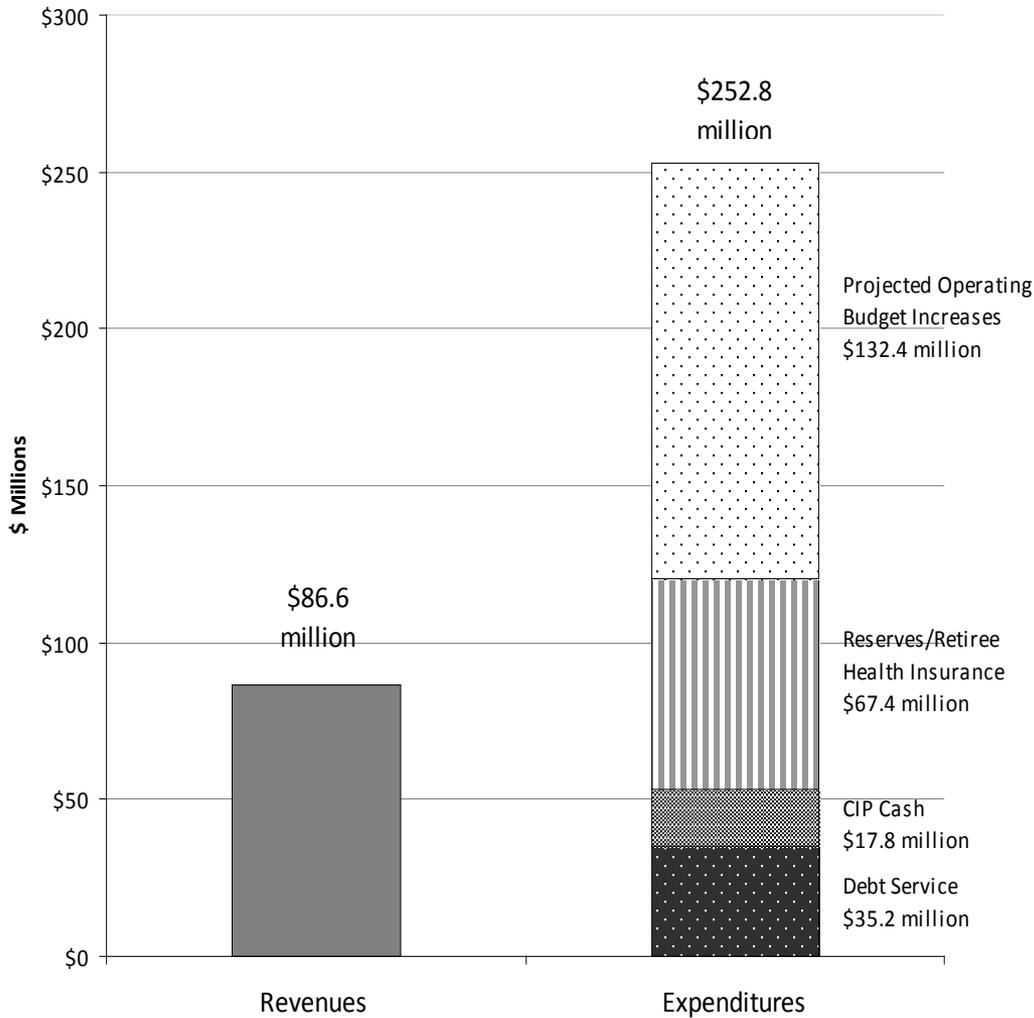
Where the Money Goes*

TOTAL APPROVED USES OF FUNDS - \$4,659.0 (million)



*This total covers the full Operating Budget, and funds to the CIP, Debt Service, and Reserves. Of this amount \$4,194,797,973 is approved in the Operating Budget.

FY15 Fiscal Projection



| | <u>\$ millions</u> |
|-----------------------------------|--------------------|
| Additional Revenues | \$86.6 |
| Debt Service | 35.2 |
| Cash for the Capital Budget | 17.8 |
| Reserves/Retiree Health Insurance | <u>67.4</u> |
| Additional Fixed Obligations | \$120.4 |
| Available for Operating Budget | -\$33.8 |
| Additional Spending Requirements | \$132.4 |
| Fiscal Shortfall or Gap | -\$166.1 |

FY 15 Fiscal Outlook

Continuing Challenges



Federal budget uncertainty – sequestration and debt ceiling



High structural cost increases – debt service, retiree health, reserves, compensation and benefits



State-mandated Maintenance-of-Effort spending requirements (MOE) for MCPS and Montgomery College



Deferred infrastructure maintenance



Operating impact of new facilities – libraries, schools, college, recreation centers, and fire stations



Unavoidable cost increases related to energy costs, snow removal, and inflation

FY 15 Fiscal Outlook

County is on the right path to sustainability



Closed \$2.7 billion in budget gaps over the past 7 years



Slowed the rate of growth in expenditures



Successfully implemented plan to increase reserves, on track to reaching 10% goal by 2020



Increased funding for Retiree Health Insurance (OPEB), on track for full funding of the annual requirement in FY15



Permanent long-term cost reductions for:

- Employee compensation, group insurance, retiree health insurance, and pensions
- Reduced over 1200 positions in the FY08-12 period

Background



Two Budgets

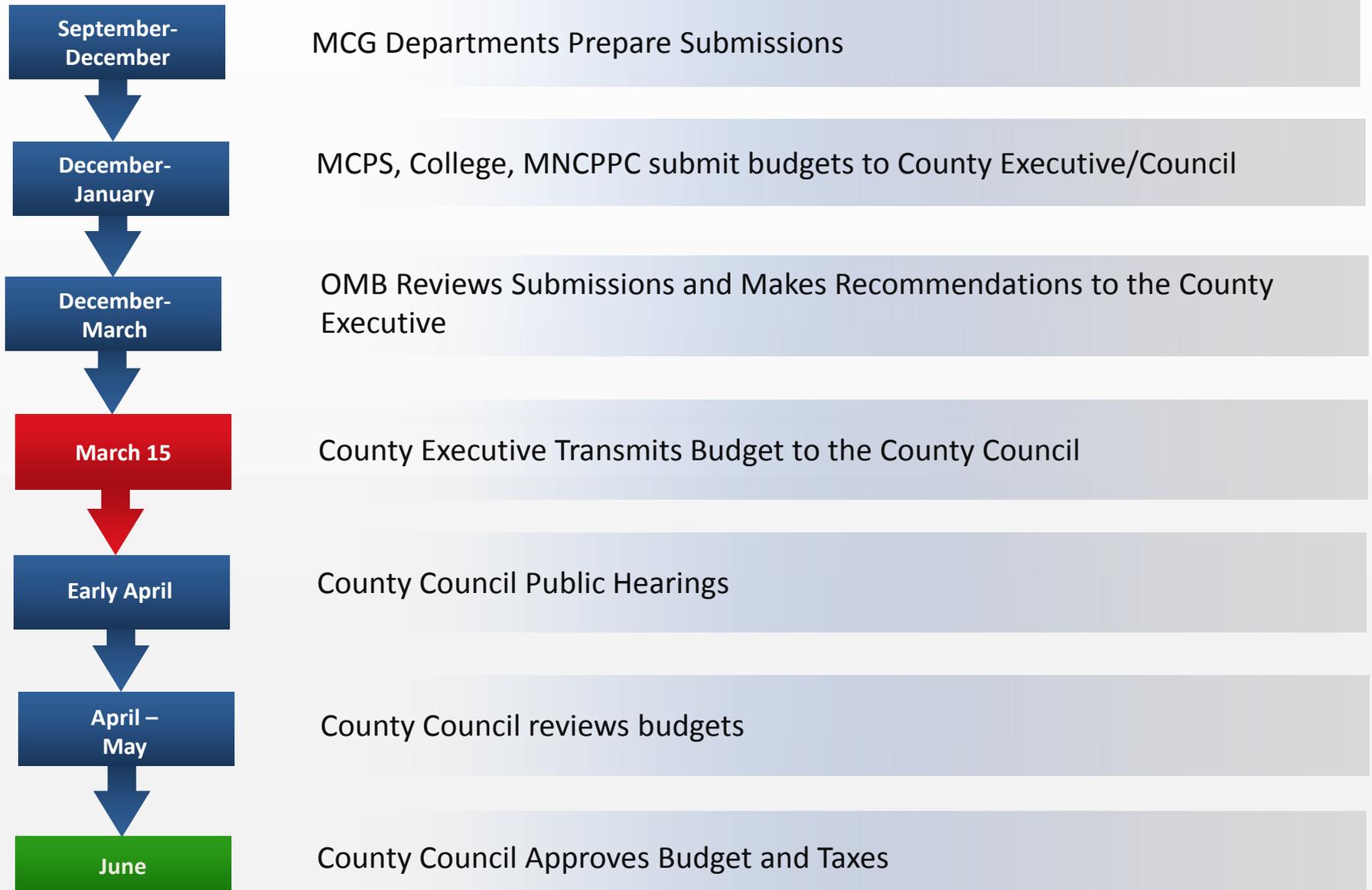
Operating Budget: Services

- ✔ K-12 education
- ✔ Community College education
- ✔ Public safety: Police, Fire, Courts, Corrections
- ✔ Transportation: Roads, Traffic, Bus
- ✔ Social Services: Health, Income Maintenance, other
- ✔ Environmental protection
- ✔ Parks, recreation, and libraries
- ✔ Land use planning and regulation
- ✔ Trash collection and disposal
- ✔ Economic development
- ✔ Debt Service

Capital Budget: Facilities

- ✔ Schools, College facilities
- ✔ Roads and bridges
- ✔ Water and sewer facilities
- ✔ Information technology infrastructure
- ✔ Libraries
- ✔ Police and fire stations
- ✔ General government facilities
- ✔ Funded primarily through the issuance of bonds (borrowing)

Operating Budget Process



Operating Budget

County Budget is divided into two parts: Tax Supported and Non-Tax Supported

Tax Supported

- ❌ Excludes grants and services supported by fees and charges (non-tax supported funds)

Non-Tax Supported

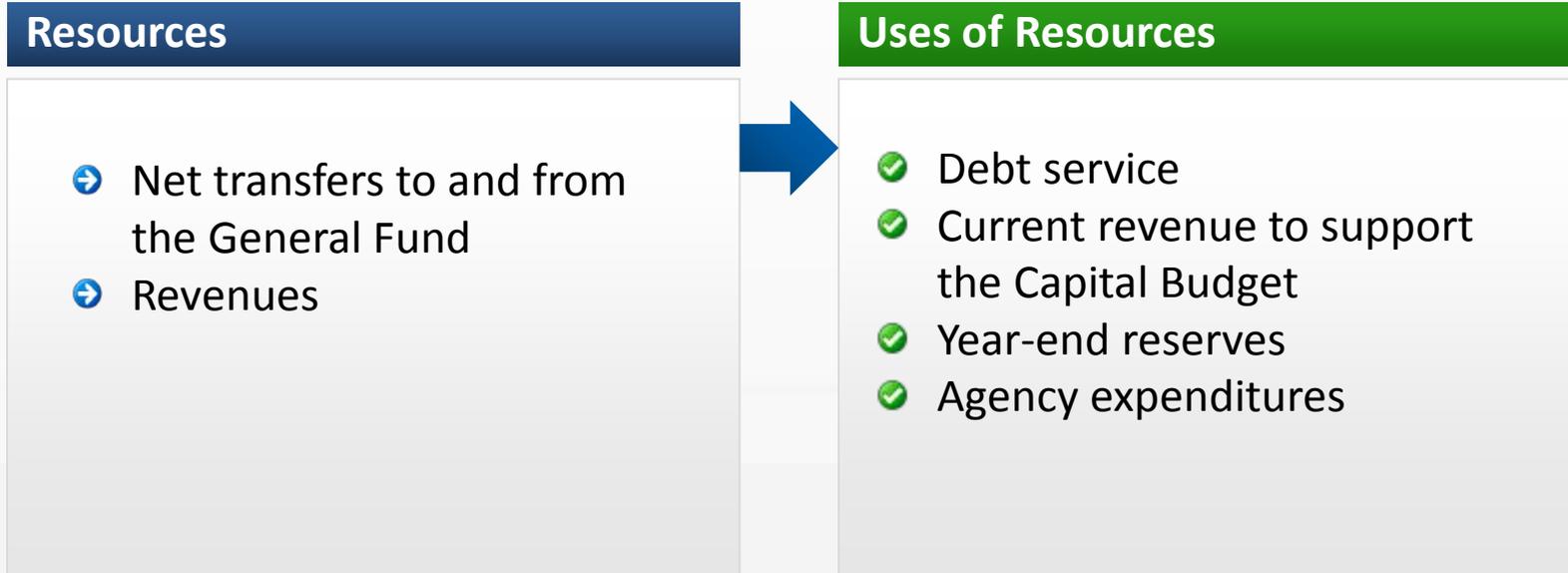
- ✅ Funds are self-sustaining and generally not subject to fluctuations in tax receipts

Total Non-Tax Supported Funds:
\$616.4 million

Grants:
\$209.6 million

Self-Supporting funds:
\$406.8 million

County Executive's Fiscal Plan



Balanced Budget

The budget is balanced when projected resources are equal to projected uses, including funding reserves to the policy level.

FY15-20 Fiscal Plan

Selected Fiscal Assumptions: Resources

- ➔ Property tax revenues are projected at the Charter Limit
- ➔ Other tax revenues and user fees are projected at their current rates
- ➔ Level (flat) funding of existing intergovernmental aid formulas, which could change after the Governor releases the State budget
- ➔ Latest revenue estimate: Net increase in anticipated County revenues of \$153.6 million (\$99.3 million in FY14 and \$54.3 million in FY15) compared to estimates assumed at the time the FY14 budget was approved
 - ➔ 50% of excess revenue must by law be allocated to the reserves

FY15-20 Fiscal Plan

Selected Fiscal Assumptions: Expenditures

- ➔ Under these assumptions, total agency expenditures must be reduced 0.9% to produce a balanced budget in FY15.
- ➔ However, expenditures are estimated to grow by specific major known commitments of \$132 million, illustrating the costs and challenges that exist in the budget, producing a budget gap of \$166 million that must be closed by March 15th.
- ➔ Because of State law requiring a certain level of funding for MCPS and Montgomery College, County Government and Park and Planning could sustain reductions of nearly 3%.

Community Participation

- ✔ Letters/emails to the County Executive and Councilmembers
- ✔ Boards, Commissions, and Advisory Board members are appointed by the County Executive, and confirmed by the County Council
- ✔ Executive Branch sponsored budget forums across the County, where residents and businesses provide input on their priorities
- ✔ County Executive meets with business leaders, directors of non-profit organizations, and other advocacy groups
- ✔ County Charter requires the Council to hold a public hearing not earlier than 21 days after receipt of the budget from the Executive
- ✔ Public hearings related to budgets, legislation, and regulations are advertised in local press
- ✔ County Council town hall meetings
- ✔ Letters to local press
- ✔ Citizen participation groups (Taxpayer's League, etc.)
- ✔ Read the County Executive's FY15 Recommended Operating Budget and FY15-20 Public Services Program at <http://www.montgomerycountymd.gov/ombtml.asp?url=/content/omb/index.asp>